(2)

No. 91-1060

In The

Supreme Court of the United States

October Term, 1991

ROBERT DARLING, d/b/a DARLING ENTERPRISES,

Petitioner,

vs.

STANDARD ALASKA PRODUCTION COMPANY,
EXXON CORPORATION,
UNION OIL COMPANY OF CALIFORNIA,
AMOCO PRODUCTION COMPANY,
COOK INLET REGION, INC.,
NANA REGIONAL CORPORATION, INC.,
DOYON LIMITED
AND
ARCO ALASKA, INC.,

Respondents.

Petition For Writ Of Certiorari To The Supreme Court For The State Of Alaska

MEMORANDUM IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Standard Alaska Production Company would restate the question presented by Petitioner as follows:

1. In a state court proceeding where Petitioner's only claim was for unjust enrichment, did the Alaska Supreme Court err in affirming summary judgment on the grounds that Petitioner failed to present a genuine issue of material fact as to one of the essential elements of his state law unjust enrichment claim where:

* Alaska state law provides that a party is not unjustly enriched where all it receives is that to which it is legally entitled,

* Federal patent law provides that a person has a legal right to copy and use an unpatented design that is in the public domain,

* Petitioner admits that his claimed design is unpatented and in the public domain, and that he has no rights in his design as against the world at large,

* Petitioner concedes that there was no contract or trade secret concerning the design, and

* Petitioner asserted no state law contract, trade secret, or tort claims against Standard Alaska?

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The Respondents Standard Alaska Production Company, Exxon Corporation, Union Oil Company of California, Amoco Production Company, Cook Inlet Region, Inc., Nana Regional Corporation, Inc., Doyon Limited and Arco Alaska, Inc., (hereafter collectively referred to as "Standard Alaska"), oppose Petitioner Robert Darling's Petition for a writ of certiorari to review the judgment and opinion of the Supreme Court for the State of Alaska, entered on October 17, 1991.

OPINIONS BELOW

The opinion of the Alaska Supreme Court is reported as *Darling v. Standard Alaska Production Company, et al.*, 818 P.2d 677 (Alaska 1991). A copy of that opinion is reprinted in the Appendix.

The unpublished opinion of the Superior Court is reprinted in Petitioner Darling's Petition, and referred to herein as "Pet. App."

STATEMENT OF THE CASE

Robert Darling claims that he invented and designed a shore protection system called Linkrete. Linkrete consisted of large, interlinked concrete blocks, the purpose of which was to protect the gravel slopes of manmade islands in the Beaufort Sea from erosion by waves and ice. Darling claims that he disclosed his invention to the

owners and operators of the Endicott Island oil production facility (Respondents herein) with the expectation that he would be compensated if his invention was used. His expectation was subjective, as Darling has conceded that there was no contract or trade secret agreement with the Endicott owners concerning the copying or use of his design, *Darling*, 818 P.2d at 679; Pet. App. 2b-3b, and at his deposition, Darling testified that he could not recall ever telling any of the Endicott owners that he expected to be compensated. [R. 223.]

Standard Alaska Production Company was the owner-operator with the largest share in the Endicott Island project. Darling claims that Standard Alaska used and benefited from his invention, but did not compensate him. Darling filed a civil action against Standard Alaska and the other Endicott Island project owners in the Superior Court for the State of Alaska, asserting a solitary claim in equity for restitution under state law unjust enrichment principles. *See generally, Darling*, 818 P.2d at 678-79. During the proceedings before the Alaska Superior Court, Darling expressly disavowed any reliance upon any legal theory other than his equitable unjust enrichment theory:

> The plaintiff, on advice of counsel, has limited his theory of recovery to unjust enrichment. . . . Plaintiff, through his counsel, has intentionally and with design, elected to so limit the basis of his claim.

[R. 283-84.]

Darling has conceded, and the Superior Court and the Supreme Court for the State of Alaska expressly

found, that there was no contractual agreement, either express or implied-in-fact, nor was there a trade secret concerning his claimed invention. *See Darling*, 818 P.2d at 679; Pet. App. 2b-3b (Findings of Fact Nos. 4, 10). Darling asserted no claims sounding in tort or contract, whether express or implied-in-fact. Darling admits in his Petition to this Court that he does not allege any tortious conduct or breach of contract by Standard Alaska. [Pet. 4.]

Darling also admitted that he did not have a federal patent for his claimed invention, and he asserted no federal patent violation claim. [Pet. 4.] Darling omitted to state that he actually applied for a federal patent for his claimed Linkrete invention, but the federal Patent Office denied his application on the grounds that his "invention" was obvious in light of existing technology. *See Darling*, 818 P.2d at 678 n.2; Pet. App. 3b. Darling has conceded, and the Superior Court and Alaska Supreme Court found, that his claimed invention was in the public domain. *Id.* at 681 n.9. In his Petition, as before the state courts, Darling acknowledges that he possessed no enforceable patent-like rights against the world at large. [Pet. 4.]

In the absence of any contractual agreement, or any tort claim for conversion, misappropriation, fraud, etc., or any state law claim for trade secret violation, Darling's solitary theory was, and is, that Standard Alaska treated him unfairly in the course of its business dealings. Having failed before the Alaska state courts, Darling now asks this Court to recognize that he has asserted a valid state law unjust enrichment claim consistent with federal patent law. [Pet. i; 4.]

Standard Alaska moved for summary judgment on the grounds that, pursuant to Alaska law and in accordance with well-settled federal patent law principles, there was no genuine issue of material fact that Standard Alaska was not unjustly enriched. The superior court agreed and granted summary judgment. The Alaska Supreme Court affirmed in a unanimous opinion authored by Chief Justice Rabinowitz. While the decisions of both courts discussed and correctly applied established principles of federal patent law, the decisions of these state courts ultimately turned on questions of Alaska state law unjust enrichment principles.

REASONS WHY THE PETITION SHOULD BE DENIED

There are no special or important reasons to grant this Petition. The Alaska Supreme Court's opinion did not decide any federal question in a way that conflicts with the decisions of this Court or of any other court. The Alaska Supreme Court's opinion did not decide an important question of federal law, much less a question of federal law that is unsettled.

To the contrary, the federal patent law in question is well-settled; indeed, this Court very recently reaffirmed all relevant operative principles in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). While the Alaska Supreme Court's opinion ultimately turned on the application of Alaska state law unjust enrichment principles, to the extent that the Alaska opinion did address federal patent law principles, the Alaska Supreme Court expressly relied on and applied the United States

Supreme Court's decision in *Bonito Boats*, as well as its opinions in *Sears, Roebuck & Co. v. Stiffel, Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974); and *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979). Darling is in error when he argues that the Alaska Supreme Court's opinion is contrary to prior decisions of this Court.

According to the Alaska Supreme Court's opinion in *Darling*, under Alaska law, Darling was required to satisfy three essential elements to make out an unjust enrichment claim:

> 1) a benefit conferred upon the defendant by the plaintiff;
>
> 2) appreciation by the defendant of such benefit; and
>
> 3) acceptance and retention by the defendant of such benefit under such circumstances that it would be inequitable for him to retain it without paying for it.

Darling v. Standard Alaska Production Company, 818 P.2d at 680 (quoting *Alaska Sales and Service, Inc. v. Millet*, 735 P.2d 743, 746 (Alaska 1987)). For purposes of the summary judgment motion and the appeal to the Alaska Supreme Court, only the third element was at issue. The Alaska Supreme Court thus framed the issue before it: "We must address whether considerations of equity will permit Standard to retain the benefit without compensating Darling." 818 P.2d at 680. The Alaska Supreme Court's determination of this question does not present

the United States Supreme Court with a special federal question meriting its discretionary review.

In *Alaska Sales and Service*, the Alaska Supreme Court explained that:

> The courts are in accord in stressing that the most significant requirement for recovery in quasi-contract [unjust enrichment] is that the enrichment to the defendant must be unjust; that is, the defendant must receive a true windfall or "something for nothing." . . . Where a defendant has given fair value to a third party in exchange for the benefits conferred by the plaintiff, there is no windfall and no recovery will lie.
>
> . . .
>
> It is axiomatic that a party cannot be enriched at the expense of another for receipt of that to which the party is legally entitled.

Alaska Sales and Service, 735 P.2d at 746-47.

In its motion for summary judgment and on appeal to the Alaska Supreme Court, Standard Alaska relied upon these Alaska state law principles. Darling conceded below, and both state courts found that Standard Alaska had paid third parties over $500,000 for the design of the shore protection system that was used on the Endicott Island project. *Darling*, 818 P.2d at 679; Pet. App. 3b. Thus, Standard Alaska argued that it did not receive a windfall or something for nothing, and therefore was not unjustly enriched.

Moreover, Standard argued that under federal patent law principles, it was legally entitled to use Darling's

claimed invention: Darling had no patent for it, the design was in the public domain and available to the world at large to be used and copied, and there was no trade secret or contractual agreement, express or implied-in-fact, between Darling and Standard Alaska regarding the use of the design, all of which Darling admits. Therefore, Standard Alaska argued, and the Superior Court and the Alaska Supreme Court held, that Darling was unable to establish the requisite third element of his state law unjust enrichment claim – Darling could not prove that there was a genuine issue of material fact that it would be unfair for Standard Alaska to retain the benefits it allegedly obtained from Darling's claimed design without compensating him. *Darling*, 818 P.2d at 683.

While it appears that the gist of Darling's Petition for Writ of Certiorari is an improper request for the United States Supreme Court to review the Alaska Supreme Court's determinations on the nature and scope of an Alaska state law unjust enrichment claim, there can be no question that the Alaska Supreme Court's opinion does not conflict with any decision of the United States Supreme Court. A long line of cases beginning with *Sears, Roebuck & Co. v. Stiffel, Co.*, 376 U.S. 225, 231-32 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979); and recently ending full circle with *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S.Ct. 971, 103 L.Ed. 2d 118, 138 (1989), hold that an unpatented article which is in the public domain may be freely copied and sold, and is subject to appropriation by whoever chooses to do so. Further, these cases hold that state law that

interferes with the enjoyment of an unpatented device which has been publicly disclosed by its inventor impermissibly contravenes federal patent policy, and is preempted. The federal patent laws create a federal right to copy and use unpatented ideas exposed to the public, and the states may not offer patent-like protection (*e.g.*, awarding damages for copying or using a claimed design) to unpatented intellectual creations which would otherwise remain unprotected as a matter of federal patent law.

Darling concedes his claimed design was in the public domain, and he concedes that his claimed design was unprotected as a matter of federal patent law as to the world at large. [Pet. 4, 6.] Nevertheless, without the protection of a contract, trade secret, or the like, Darling seeks to enforce patent-like protection against Standard Alaska, and obtain patent-like damages from Standard Alaska, for doing precisely that which Darling concedes anyone else in the world could legally do. Because Darling's unjust enrichment claim would, if allowed, violate well-settled principles and policies of federal patent law, Darling's state law unjust enrichment claim is preempted by federal patent law, as applied to the States by the supremacy clause of the United States Constitution, Art. VI, clause 2.

Darling argues that the Alaska Supreme Court's opinion is contrary to the United States Supreme Court's opinions, particularly *Kewanee* and *Aronson*. It is useful to briefly review these opinions, and see what the Alaska Supreme Court had to say about them.

In *Bonito Boats*, this Court remarked upon the potentially preemptive sweep of its decisions in *Sears* and *Compco*, and observed that the states do have limited power to protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of goods. The Court in *Bonito Boats* noted that in *Kewanee Oil Co.*, it held that state protection of trade secrets does not operate to frustrate the achievement of the congressional objectives served by the patent laws. *Bonito Boats*, 103 L.Ed. 2d at 137. The Court also noted its decision in *Aronson*, which held that state contract law was not necessarily displaced by federal patent law merely because the contract relates to intellectual property which may or may not be patentable. *Bonito Boats*, 103 L.Ed. 2d at 137-38.

Nevertheless, the Court in *Bonito Boats* clearly and unequivocally reaffirmed its earlier holdings in *Sears* and *Compco*:

> At the same time, we have consistently reiterated the teaching of *Sears* and *Compco* that ideas once placed before the public without the protection of a valid patent are subject to appropriation without significant restraint.
>
> . . .
>
> We believe that the *Sears* Court correctly concluded that the States may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of

> federal patent law. . . . A state law that substantially interferes with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its author to the public at large impermissibly contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy.

Bonito Boats, 103 L.Ed. 2d at 138.

The Alaska Supreme Court addressed and properly applied each of these cases in the context of Darling's state law unjust enrichment claim. *Darling*, 818 P.2d at 680-82. In his Petition, as before the Alaska Supreme Court, Darling relies chiefly on *Kewanee* and *Aronson*. [Pet. 5 & 6.] Darling accuses the Alaska Supreme Court of giving expansive preemptive sweep to the United States Supreme Court's decisions. [Pet. 7] He argues that "federal patent law does not preempt all standards of business ethics in dealings between parties. The States should not be prohibited from enforcing their own judicially imposed obligations to deal fairly in a commercial setting." [Pet. 7.] Darling's arguments misstate the Alaska Supreme Court's opinion. A simple reading of the *Darling* opinion demonstrates that the Alaska Supreme Court did not preempt any standard of business ethics, nor did it prohibit the courts of the State of Alaska from enforcing any judicially imposed obligation that parties deal fairly with one another in business dealings.

In Alaska, as in other states, parties to business dealings have numerous means of enforcing fairness in their dealings. Darling could have demanded contractual protection for his claimed invention. He could have remained silent about his claimed design. He could have

kept it secret by conditioning its disclosure on terms of confidence, so as to avail himself of Alaska's statutory trade secret protections. He could have declined to advertise, manufacture, and sell his product to others in his efforts to generate interest in the design.

The Alaska Supreme Court did not misapprehend *Kewanee* and *Aronson*. The Alaska Supreme Court correctly noted that both *Kewanee* and *Aronson* allowed limited state law protection of intellectual property because, under the circumstances of those cases (an express contract protected by state contract law, a trade secret protected by state trade secret law), the state law protection was not offensive to federal patent policy. In Darling's case there was no patent, and the design was in the public domain. There was no contractual agreement between Darling and Standard Alaska. There was no trade secret. Given this record, the Alaska Supreme Court properly distinguished *Kewanee* and *Aronson* from Darling's solitary claim for unjust enrichment grounded solely upon his subjective expectation of compensation should Standard Alaska use his unpatented and publicly disclosed design.

Darling's argument in support of his state law unjust enrichment theory is that Standard Alaska treated him unfairly. [*See* Pet. i (Question Presented)] The Alaska Supreme Court, as a matter of Alaska state law, rejected this argument, and determined that Darling failed to present a genuine issue of material fact on this issue. The Alaska Supreme Court expressly declined to address whether federal patent law forecloses other causes of action surrounding the same course of dealing, *e.g.*, fraud, misrepresentation, *quantum meruit*, or promissory

estoppel, because Darling did not plead any claims for relief grounded on these theories. *Darling*, 818 P.2d at 683 n.13. Thus, it would not be possible to fairly read the Alaska Supreme Court's decision as "sweepingly" as Darling urges. [Pet. 7.]

CONCLUSION

Darling's Petition presents no special or important question for review. The Alaska Supreme Court's opinion is in no way contrary to any decision of the United States Supreme Court. If granted, the Petition would require the United States Supreme Court to pass on questions of Alaska state law and equity – *i.e.*, the nature and scope of Alaska unjust enrichment principles. These are questions that are essentially equitable in nature, issues which state courts are imminently qualified to answer, and which, with all respect, the United States Supreme Court is ill-suited to respond.

The Petition should be denied.

Respectfully submitted,

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Robert DARLING, d/b/a Darling Enterprise, Appellant,

v.

STANDARD ALASKA PRODUCTION COMPANY, Exxon Corporation, Union Oil Company of California, Amoco Production Company, Cook Inlet Region, Inc., Nana Regional Corporation, Inc., Doyon Limited and Arco Alaska, Inc., Appellees.

No. S-3777.

Supreme Court of Alaska.

Oct. 17, 1991.

Designer of shore protection system sued island owner for unjust enrichment in connection with alleged appropriation of system without authorization or compensation. The Superior Court, Fourth Judicial District, Fairbanks, Jay Hodges, J., granted summary judgment for owner. Designer appealed. The Supreme Court, Rabinowitz, C.J., held that claim was preempted by federal patent law.

Affirmed.

Mark A. Sandberg and Henry J. Camarot, Sandberg & Smith, Anchorage, for appellant.

John M. Conway and Craig F. Stowers, Atkinson, Conway & Gagnon, Anchorage, for appellees.

Before RABINOWITZ, C.J., and MATTHEWS, COMPTON and MOORE, JJ.

OPINION

RABINOWITZ, Chief Justice.

Robert Darling filed suit against the owners and operators of the Endicott Island production facility, claiming they had appropriated cinder blocks of his design in protecting against shore erosion. The superior court held that Darling's claim was preempted by federal patent law, and granted summary judgment against Darling. We affirm.

I

Endicott Island is a forty-five acre artificial island, located in the Beaufort Sea, approximately fifteen miles from Prudhoe Bay. It was constructed for oil exploration and production. Construction of the island was completed in 1987.

The island and connecting causeway consist of nearly seven million cubic yards of gravel. The island is protected from erosion, waves, and polar ice by a shore protection system consisting of a mat of interconnected concrete blocks.

Robert Darling, a Fairbanks entrepreneur, designed and sold a system of linked concrete blocks, called Linkrete, for use in shore protection in arctic conditions. Darling believed that the owners of Endicott appropriated the Linkrete design from him without authorization or compensation. Darling filed suit for unjust enrichment against Standard Alaska Production Company, the operator and owner of the largest share of the project, and the other owners of Endicott ("Standard").

Darling first designed Linkrete in 1980. He asserts that he was contacted by Exxon and Sohio Alaska Petroleum Company ("Sohio"), Standard's predecessor, and in 1980 sold each of them samples of Linkrete for test purposes. Later, thinking that Exxon would be the operator of the Endicott project, Darling presented a seminar on Linkrete for Exxon's engineering firm.

When it became clear that Sohio would be the operator of the Endicott project, Darling communicated with the engineering firms of Ralph M. Parsons Company ("Parsons"), and Tekmarine, Inc. ("Tekmrine") and supplied them with information about Linkrete.[1] From August 21, 1984 to March 26, 1986, Darling's patent application was under consideration, and Darling notified Sohio that he had a patent pending on Linkrete. In 1984, when Sohio put the shore protection system up for bid, Darling informed Sohio that the system it had specified in its bid might infringe on his pending patent.[2] The parties seem to have assumed that Darling had rights in Linkrete, but apparently the subject never was discussed directly.[3]

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[1] Darling alleges that Parsons and Tekmarine were agents of Standard; Standard asserts that they were independent contractors. The decision of the superior court did not turn on this determination.

[2] In March 1986, the federal patent office denied Darling's application, concluding that the purported design was obvious in light of existing technology.

[3] For example, in a letter dated May 14, 1984, Darling wrote to Tekmarine stating that Linkrete would be marketed

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Standard never contracted with Darling for any aspect of the work on Endicott Island, or for any services related to Linkrete. The Endicott shore protection system was manufactured and installed by Tekmarine and parson; Standard paid $520,353 for it.

Darling filed suit in superior court on January 22, 1988. Darling did not allege any tort or breach of contract. Rather, he sought both compensatory and punitive damages based on an unjust enrichment claim.

Standard moved for summary judgment and to strike Darling's demand for a jury trial. For the purposes of summary judgment, and thus, for the purposes of this appeal, Standard admits that Darling invented Linkrete, that Standard used Darling's Linkrete design in constructing Endicott Island and that Standard never compensated Darling.

After a hearing, the superior court granted summary judgment to Standard dismissing Darling's unjust enrichment claim on the ground that federal patent law precluded a suit for unjust enrichment based on an

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under a trade name, and that a patent was pending. The record also contains project notes prepared by Parsons summarizing a meeting with Darling on June 14, 1984. The meeting was attended by representatives of Parsons, Tekmarine, and Sohio. The project notes state that Linkrete was patented. Additionally, the record contains a letter of October 5, 1984 from Darling's patent attorney to Sohio, noting that the Invitation to Bid for shore protection for Endicott Island "indicates a preference for the shore protection system which comes within the scope of [the applied for patent]."

unpatented invention.[4] The superior court also granted partial summary judgment to Standard on Darling's claim

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[4] In its decision, the superior court stated:

> It is undisputed that Plaintiff possessed no patent on his claimed invention of the shore protection system design. It is clear from the allegations contained in Plaintiff's Complaint and his other pleadings, and it is also clear from the evidence submitted, that Plaintiff's claimed shore protection system design was publicly known and publicly disclosed, and was so obvious that persons skilled in the shore protection art readily could have developed the Plaintiff's design. Under authority of *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989); *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964); and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964), the court concludes that Plaintiff's claimed shore protection system design was in the public domain, and that Defendants were legally entitled to freely copy and use that shore protection system design. Because Defendants received nothing more than that which they were legally entitled to use, Defendants were not unjustly enriched.
>
> The Court further concludes that Plaintiff's unjust enrichment claim is preempted under federal patent law and federal preclusion principles as applied to the States by the Supremacy Clause of the United States Constitution. Therefore, Defendant's Motion to Dismiss Unjust Enrichment Claim is Granted.

The court also awarded summary judgment on the alternative theory: "since the full value or value was paid, unjust enrichment cannot be obtained against the Defendants in this case."

for punitive damages, and granted Standard's motion to strike Darling's demand for a jury trial.

Darling appeals the superior court's grant of summary judgment as to his unjust enrichment claim, the grant of partial summary judgment as to punitive damages, and the denial of his demand for a jury trial.[5]

II

Darling bases his unjust enrichment claim on "quasi-contract" or "contract-implied-in-law" theories. Unjust enrichment does not depend on any actual contract, or any "agreement between the parties, objective or subjective." *Alaska Sales and Serv., Inc. v. Milhet*, 735 P.2d 743, 746

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[5] The superior court filed findings of fact upon which it based its grants of summary judgment and partial summary judgment. However, these findings are not subject to deferential review. *Moore v. State*, 553 P.2d 8, 15 n. 3 (Alaska 1976). Rather, "the standard of review for summary judgment is to determine whether the moving party is entitled to judgment on the law applicable to the established facts." *Reed v. Municipality of Anchorage*, 741 P.2d 1181, 1184 (Alaska 1987). Our review is *de novo*, and we will "adopt the rule of law that is most persuasive in light of precedent, reason and policy." *Langdon v. Champion*, 745 P.2d 1371, 1372 n.2. (Alaska 1987) (citations omitted).

If the grant of summary judgment depends on a finding of fact, we examine the record on appeal, and, viewing the facts in the light most favorable to the non-moving party, determine whether a material issue of fact exists regarding any of the predicate facts supporting the grant of summary judgment, and whether the moving party is entitled to judgment as a matter of law. *Zeman v. Lufthansa German Airlines*, 699 P.2d 1274 (Alaska 1985).

(Alaska 1987). In *Alaska Sales*, we noted that "unjust enrichment is not in and of itself a theory of recovery. Rather, it is a prerequisite for the enforcement of restitution; that is, if there is no unjust enrichment, there is no basis for restitution." *Id. Alaska Sales* identified three elements of a claim sounding in quasi-contract for unjust enrichment:

> 1) a benefit conferred upon the defendant by the plaintiff;
>
> 2) appreciation by the defendant of such benefit; and
>
> 3) acceptance and retention by the defendant of such benefit under such circumstances that it would be inequitable for him to retain it without paying the value thereof.

Id. For purposes of this appeal, Standard does not dispute that it received a benefit from Darling and that it appreciated that benefit. Therefore, we must address whether considerations of equity will permit Standard to retain the benefit without compensating Darling.[6]

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[6] Not all benefits conferred without compensation constitute unjust enrichment. For example, when benefits are "given gratuitously" and "without expectation of payment," courts will allow the recipient to retain the benefit without compensating the provider. *Sparks v. Gustafson*, 750 P.2d 338, 342 (Alaska 1988) (citing *Murdock-Bryant Constr. v. Pearson*, 146 Ariz. 48, 703 P.2d 1197, 1203 (1985)). In *Sparks*, however, we upheld a finding of unjust enrichment because the evidence showed no gratuitous intent on the part of the plaintiff. There, the plaintiff had provided various business services, which were not of the type "one would ordinarily expect to receive from a friend as a mere gratuity." *Id.* at 343.

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Federal patent law grants inventors limited protection from exploitation of their inventions by others. "The applicant whose invention satisfies the requirements of novelty, nonobviousness, and utility . . . is granted 'the right to exclude others from making, using, or selling the invention throughout the United States' for a period of 17 years." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150, 109 S.Ct. 971, 977, 103 L.Ed.2d 118 (1989) (quoting 35 U.S.C. § 154). Federal patent law recognizes two conflicting objectives. "The tension between the desire to freely exploit the full potential of our inventive resources and the need to create an incentive to deploy those resources is constant." *Id.* at 152, 109 S.Ct. at 978. The United States Supreme Court, however, has held that "free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception." *Id.* at 151, 109 S.Ct. at 978. Whatever unfairness inheres in allowing the free exploitation of ideas must give way to the greater societal benefit of achieving the full potential of our inventive resources, unless the federal government has granted the protection of a patent.

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Here, Darling alleged in his complaint that "[a]ll of the disclosures made by Mr. Darling to the defendants or their representatives were made with the expectation . . . that Mr. Darling would receive monetary compensation were his system used." Darling did not act out of friendship; there is no dispute that the relationship between Darling and Standard was a business relationship. The mere existence of a business relationship, however, does not establish the element of injustice. "[C]ompensation [is not] mandated where the services were rendered simply in order to gain a business advantage." *Bloomgarden v. Coyer*, 479 F.2d 201, 211 (D.C.Cir.1973) (footnote omitted).

Under the supremacy clause of the United States Constitution,[7] federal patent law preempts state awards of patent-like protection. "[S]tate regulation of intellectual property must yield to the extent that it clashes with the balance struck by Congress in our patent laws." *Id.* at 152, 109 S.Ct. at 978. Thus, in *Bonito*, the United States Supreme Court struck down a Florida law which prevented manufacturers from copying an unpatented boat design. *See also Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964) (state may not award damages based on unfair competition laws where Sears had merely copied the design of a lamp which was in the public domain and did not have the protection of a valid patent); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964) (states may not prevent or impose liability for copying or selling copies of unpatented items). Significantly, in *Sears*, the designer of the lamp originally had been issued patents, but the patents were later held invalid due to the obviousness of the design. The Supreme Court recognized that denial of a patent had the same effect as expiration of a patent and placed the product in the public domain, allowing free exploitation. 376 U.S. at 231, 84 S.Ct. at 789.

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[7] Article VI, clause 2 of the United States Constitution provides:

> This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land. . . .

However, not all forms of state protection are preempted by federal patent law. *Bonito* noted that *Sears* did not "prohibit the States from regulating the deceptive simulation of trade dress or the tortious appropriation of private information." 489 U.S. at 154, 109 S.Ct. at 979. *Kewanee Oil v. Bicron Crop.*, 416 U.S. 470, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974), held that state protection of trade secrets did not conflict with federal patent law. *Kewanee* further noted that trade secret laws protect rights, such as privacy, which are beyond the economic sphere and provide less monopolistic protection than patent law. *Id.* at 487, 94 S.Ct. at 1889. Moreover, patent law is not intended to protect "industrial espionage."[8]

Federal patent law does not necessarily prohibit states from enforcing valid contracts under state contract law when such contracts provide protection for unpatented products. *Bonito*, 489 U.S. at 156, 109 S.Ct. at 980; *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S.Ct. 1096, 59 L.Ed.2d 296 (1979). In *Aronson*, Aronson had invented a unique keyholder and applied for a patent. Before the design was placed in the public domain, Aronson negotiated a royalty contract with Quick Point, which then began manufacturing the keyholders. After her patent application had been denied, and other manufacturers were free to copy the keyholder, Quick Point sued for a declaratory judgment that federal law preempted the enforceability of the contract. The Supreme Court

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[8] *Kewanee* additionally noted that state trade secret protection still allowed the public to exploit unpatented products in the public domain through reverse engineering or independent creation. *Id.*, 416 U.S. at 490, 94 S.Ct. at 1890.

held that parties may contract to pay royalties for an unpatented product which is not in the public domain, and that state courts may award damages for breach of such a contract.

Here, Standard asserts that *Sears* allows Standard to exploit Linkrete because Linkrete is in the public domain.[9] Darling distinguishes *Sears* and *Bonito* by arguing that his claim against Standard does not conflict with the policies underlying federal patent law.[10] Darling does not deny that anyone other than Standard could copy and use Linkrete with impunity. Nevertheless, Darling asserts that he is entitled to recover against Standard on the basis that they had a relationship and Standard used that relationship to unfairly exploit him.

Darling argues that *Aronson* is particularly supportive of his position because a cause of action in quasi-contract, like a cause of action in contract, only accrues when the parties have a relationship. Thus, Darling concludes,"[a]fter *Aronson*, it is clear that Darling and the owner companies could have validly contracted for the use of Linkrete. There is no reason that a claim in quasi contract should be treated differently."[11]

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[9] The superior court found and Darling does not dispute, that Linkrete was in the public domain.

[10] Darling expressly disavows any recovery for the value of his services under a *quantum meruit* theory. He states in his brief, "Darling's claim does *not* sound in *quantum meruit* (emphasis in original). Therefore, Darling's claim must stand upon his rights in intellectual property.

[11] Whether Darling could in fact enforce a licensing agreement for the use of Linkrete is doubtful, given that Linkrete

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In urging that his claim against Standard is not contrary to the policies underlying federal patent law,

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was in the public domain, and that Darling was relying on his patent application to protect his rights. *See Aronson*, 440 U.S. at 263, 99 S.Ct. at 1099-1100. Importantly, Darling had no contract; *Aronson* clearly rests on freedom of contract principles. *Id.* at 262-63, 99 S.Ct. at 1099-1100.

Moreover, *Aronson* does not support Darling's argument that the policies underlying federal patent law only apply against the world, and not to individual agreements. *Aronson* explicitly avoids overruling two previous cases, which disallowed enforcement of valid contracts that interfered with federal policy. *See Aronson*, 440 U.S. at 264-65, 99 S.Ct. at 1100-01, *citing Lear, Inc. v. Adkins*, 395 U.S. 653, 89 S.Ct. 1902, 23 L.Ed.2d 6510 (1969) (if patent underlying royalty agreement is declared invalid, manufacturer need not pay royalties from time that it challenges validity of patent, even though required to do so by contract); *Brulotte v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176, 13 L.Ed.2d 99 (1964) (contractual obligation to pay royalties based on a patent may not be enforced beyond the life of the patent), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 638, 13 L.Ed.2d 579 (1965). Both these cases refute Darling's contention that federal policy only operates to prevent state law enforcement of "rights against the world." Both cases also establish that the equities do not require enforcement of an inventor's contractual rights where those rights conflict with federal patent policy. *See, e.g., Lear*, 395 U.S. at 670, 89 S.Ct. at 1911 ("the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideals which are in reality a part of the public domain.") In *Lear*, the equities in favor of enforcement were stronger than in the instant case, given the contract; yet, here, Darling must show inequity as a matter of law.

By reaffirming *Lear* and *Brulotte*, *Aronson* emphasizes the importance of a valid patent to protect rights in intellectual

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Darling correctly notes that both *Kewanee* and *Aronson* allowed state law protection of intellectual property because the protection in those instances "was not offensive to federal patent, policies." *Aronson*, 440 U.S. at 266, 99 S.Ct. at 1101. However, Darling fails to identify how enforcement of his claim would not offend federal patent policies. Federal policy both encourages disclosure of ideas and innovation and demands "substantially free trade in publicly known, unpatented [products]." *Bonito*, 489 U.S. at 156, 109 S.Ct. at 980; *see also Sears*, 376 U.S. at 231, 84 S.Ct. at 789; *Lear, Inc. v. Adkins*, 395 U.S. 653, 670, 89 S.Ct. 1902, 1911, 23 L.Ed.2d 610 (1969). Here, Darling voluntarily disclosed his idea without obtaining an agreement for compensation. In such circumstances, enforcement of Darling's unjust enrichment claim would clearly hamper free exploitation of ideas which are in the public domain, without affecting the existing incentives inventors have for disclosure. Those inventors who require assurance of compensation before disclosure might be affected by whether Darling has a claim in unjust enrichment. Yet, those inventors can already protect themselves by patent, contract, or trade secret. Those who voluntarily disclose without rending [sic] an assurance of compensation would be the only inventors affected by a ruling in Darling's favor. Therefore, it is unnecessary to rule in Darling's favor to further the federal policy of disclosure.

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property. In *Aronson*, the contract survived because "the parties resolved the uncertainties by their bargain." 440 U.S. at 264, 99 S.Ct. at 1100. Darling, on the other hand, never resolved the uncertainties in his relationship with Standard.

Finally, because Darling has not shown that his claim comports with federal policy, Darling cannot establish that any injustice has occurred. Federal policy discourages monopoly pricing unless a valid patent is in force. Here, Darling was seeking the right to charge Standard a price above that controlled by the free market. Unless federal policy requires otherwise, denying Darling this right does not create an injustice. In short, because Linkrete was in the public domain and because Darling asserted no basis for his claim other than injustice based on his disappointed expectations, we conclude that he failed to establish the elements of a claim for unjust enrichment.

We think it determinative that Darling relied exclusively upon his patent application for protection of his rights in Linkrete. This alone distinguishes this case from *Aronson*, where the inventor had sought protection by contract.[12] Here, Darling and Standard conferred about

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[12] Darling quotes *Matarese v. Moore-McCormack Lines*, 258 F.2d 631, 634 (2nd Cir.1946), for the proposition that "[t]he doctrine [of unjust enrichment] is applicable to a situation where as here, the product of an inventor's brain is knowingly received and used by another to his own great benefit without compensating the inventor." *Id.* However, in *Matarese*, the manufacturer had made an explicit promise of compensation to the inventor. Moreover, the inventor later obtained a patent. The *Matarese* Court noted the importance of this fact, stating that recovery in unjust enrichment would only exist if the plaintiff's idea was novel and created a property right. *Id.* at 634. Here, the denial of Darling's patent establishes that Darling had no property right in his design. Therefore, under *Matarese*, he cannot maintain a suit in unjust enrichment based on the exploitation of unprotected ideas.

Linkrete with the knowledge that Darling had applied for a patent. The record reveals that Darling sought no further protection of his alleged design, either contractual or promissory. Darling relied exclusively on his patent application to protect his rights. When the federal government denied Darling's patent, Darling's shore protection design was copyable by anybody who obtained the idea through legal and non-confidential means. In short, where an inventor applies for a patent on a product, and relies solely on that patent application to protect his or her rights, the inventor cannot obtain restitution for unjust enrichment from a party who copies and uses that product if the patent application is ultimately rejected.[13]

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[13] We do not address whether federal patent law forecloses other causes of action surrounding the same course of dealing, eg. fraud, misrepresentation, *quantum meruit*, or promissory estoppel. Darling has not plead any claims for relief grounded on these theories. Accordingly, the cases cited by Darling are distinguishable. *See Ocor Products Corp. v. Walt Disney Productions*, 682 F.Supp. 90 (D.N.H.1988) (unjust enrichment claim may rest on a breach of an express agreement not to copy a design; design was provided to defendant only upon defendant's promise not to copy and reproduce it); *Marcraft Recreation Corp. v. Frances Devlin Co.*, 459 F.Sup. 195 (S.D.N.Y.1978) (claim for *quantum meriut* may be based on value of technical services provided; here plaintiff, had also alleged a breach of contract based on an express agreement for exclusive merchandising); *Roberts v. Sears, Roebuck & Co.*, 471 F.Supp. 372 (N.D.III. 1979) (following rescission of a fraudulently induced licensing contract, courts may award restitution based on the unjust enrichment of the fraudulent party), *cert. denied*, 449 U.S. 975, 101 S.Ct. 386, 66 L.Ed.2d 237 (1981).

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In conclusion, we hold that Darling has failed to present a genuine issue of material fact as to the third element of his unjust enrichment claim: whether it would be unfair to allow Standard to retain the benefits it obtained from Darling without compensating him.

III

The superior court's grant of summary judgment dismissing Darling's claim for restitution based on unjust enrichment is AFFIRMED.[14]

BURKE, J., not participating.

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Darling believes that the following statement from *Aronson* provides implicit support for his unjust enrichment theory: "[i]n negotiating the [license] agreement, Mrs. Aronson disclosed the design in confidence. Had Quick Point tried to exploit the design in breach of that confidence, it would have risked legal liability." 440 U.S. at 263, 99 S.Ct. at 1100. Here, Darling does allege in his complaint that defendants assured him that the information he provided in 1983 and 1984 would remain confidential. However, he admits that the earlier disclosures of Linkrete were made only with the subjective "expectation that he would receive compensation." His complaint does not allege a breach of confidentiality. Significantly, Darling's response to a perceived threat to his rights was a letter from his patent attorney invoking his patent rights. This letter does not mention promises, confidentiality, reliance, or other possible protection of his interests. Moreover Darling does not deny that Linkrete was in the public domain at the time that Standard built Endicott Island. These facts preclude recovery in unjust enrichment.

[14] Given this holding, it is unnecessary to address Darling's remaining specifications of error.